Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

Rate Analyst, Division of Public Utilities & Carriers

Date: August 4, 2005

Re: Pascoag Utility District Tariff Advice: Docket 3685

On July 7, 2005 Pascoag Utility District ("Pascoag", or "Company") filed with the Public Utilities Commission ("PUC", or "Commission") a tariff advice requesting modification of tariff number RIPUC 404, Pascoag's rate designation C ("Rate C"). The request, if approved, would allow Pascoag to change the method of billing large commercial and industrial class customers (those whose monthly demand registers 15 kW or higher) for the demand portion of their bills.

Currently, in accordance with tariff 404, the monthly demand charge for each Rate C customer is based on the highest meter-registered peak demand at or above 15kW in each month. If the tariff advice is approved, the demand charge will be calculated using a rolling twelve-month ratcheted demand. That is to say, each month the Company will determine each Rate C customer's highest kW demand metered during the previous twelve months. The demand charge will be based on the highest peak kW demand registered within any fifteen-minute period during those twelve months, when that demand is at or above 15 kW.

According to the response to Division information request DIV 1 (attached) in this docket, the monthly demand charge billed Pascoag by Narragansett Electric Company is calculated using a rolling twelve month ratcheted demand.

Based on a sample of seven (about 25% of) Rate C customers, Pascoag estimates that if the demand ratchet had been in effect during the twelve-month period July 2004 through June 2005, the Company would have realized additional Rate C demand revenue of about \$36,000 (see information request DIV 2, attached).

Calculating the demand charges of Rate C customers in the same manner Pascoag incurs demand charges will result in a more equitable alignment of demand costs and the Company's recovery of those costs.

The Division recommends approval of Pascoag's requested tariff change.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers

RIPUC Docket No. 3685 Data Request of the Division of Public Utilities and Carriers Set 1 DIV 1

DIV 1: Please provide the rationale regarding the proposed amendment to Pascoag's large commercial/industrial tariff.

Answer: Provided by Judith R. Allaire

Pascoag Utility District's transmission bill from Narragansett Electric Company is based on a 12-month ratchet clause. Since Pascoag pays, based on its peak demand for the 12-month period, and since that demand is driven mainly by its large commercial customer and industrial customers, the District deemed it appropriate to bill its customers on the same basis.

A copy of the transmission bill from Narragansett Electric Company is attached to this Data Response.

DIV 2. Will the proposed tariff result in an increase/decrease in the revenue collected by Pascoag? If so, please quantify the anticipated increase/decrease.

Answer: Provided by Judith R. Allaire

The District does not feel that the revenue change will be substantive. Since the District currently has only about twenty-seven customers that are billed a demand charge, and most of these customers exhibit fairly stable demand.

With the exception of one or two customers (i.e. the ice rink), there should be minimal impact to customers.

Addenda: To provide support for the answer above, Pascoag took a sample of approximately 25% of the current Industrial customers to calculate the impact of the tariff change on them.

Seven customers were chosen for the sample. The sample period was the preceding twelve-month period, and demands were calculated under two scenarios:

- 1) actual demand times \$6.53 to determine the demand under the current tariff; and
- 2) demand based on highest peak reached for the following eleven-month period at the current rate of \$6.53/kw.

A cross section of customers were chosen for the survey including, the ice rink, nursing home, meat processing plant, school, grocery market, etc. These seven customers range from low-demand customers to high-demand customers, and include customers with seasonal usage.

Based on this sampling, the additional revenue generated by these seven customers would be \$9,096 per month. Assuming that these are fairly typical customers, and since the sample contained approximately 25% of the customer class, Pascoag estimates an increase in annual revenue of \$36,000 per year, or \$3,000 per month.

The work sheet detailing the customer demand usage is attached as Schedule 2-A.

Months:		1		2		3		4		5		6		7		8		9		10		11		12						
																										Total		Annual	Mont	hly Change
Seasonal		21		14		176		158		118		119		126		121		174		175		166		11				Change	on cu	ıstomer bill
Current	\$	137	\$	91	\$	1,149	\$	1,032	\$	771	\$	777	\$	823	\$	790		1,136	\$	1,143		1,084	\$	72		9,005				
Peak (Proposed)	\$	137	\$	137	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	1,149	\$	11,767				
																											\$	2,762	\$	230
Market		148		127		129		127		132		127		129		127		136		136		151		144						
Current	\$	966	\$	829	\$	842		829		862		829	\$	842	\$	829	\$	888	\$	888	\$	986	-	940	\$	10,533				
, , ,	\$	966	\$	966	\$	966	\$	966	\$	966	\$	966	\$	966	\$	966	\$	966	\$	966	\$	986	\$	986	\$	11,636				
																											\$	1,104	\$	92
Religious Home/School		47		49		42		43		47		46		49		44		47		54		48		48						
Current	\$	307	\$	320	\$	274		281		307	\$	300	\$	320		287	\$	307	\$	353	\$	313		313		3,683				
, , ,	\$	307	\$	320	\$	320	\$	320	\$	320	\$	320	\$	320	\$	320	\$	320	\$	353	\$	353	\$	353	\$	3,925				
																											\$	242	\$	20
Nursing Home	_	70		71		77		77		67		73		72		71		84		86		85		88						
Current	\$	457	\$	464	\$	503		503			\$	477	\$	470		464	\$	549	\$	562	\$	555		575	\$	6,014				
, , , , , , , , , , , , , , , , , , ,	\$	457	\$	464	\$	503	\$	503	\$	503	\$	503	\$	503	\$	503	\$	549	\$	562	\$	562	\$	575	\$	6,184	<u> </u>			
																											\$	170	\$	14
Food Processing	•	68		58		64		55		54	•	53		56		62		64		76	•	75		69						
Current	\$	444	\$	379		418		359			\$	346		366		405	\$	418	\$	496	\$	490		451	\$	4,924				
Peak (Proposed)	\$	444	\$	444	\$	444	\$	444	\$	444	\$	444	\$	444	\$	444	\$	444	\$	496	\$	496	\$	496	\$	5,485				
																											\$	562	\$	47
Elementary School	Φ.	88		92		90		95		91	•	94		96		93	•	92		86	•	31	Φ.	29		0.000				
Current	\$	575	\$	601	\$	588		620		594	\$	614		627	\$	607	\$	601	\$	562	\$	202		189		6,380				
Peak (Proposed)	\$	575	\$	601	\$	601	Ф	620	\$	620	Ъ	620	Ъ	627	\$	627	Ъ	627	\$	627	\$	627	Ъ	627	\$	7,398			_	
M (D)		505		400		400		100		100		450		544		504		F70		570		504		F70			\$	1,019	\$	85
Meat Processing Current	Φ	525	\$	460	\$	460 3,004		403	Φ	403	Φ.	453 2,958	Φ.	511	Φ	504	Φ.	576		576 3,761	Φ	561 3,663	Φ	576		20.000				
Peak (Proposed)		3,428 3,428		3,004 3,428	\$	3,428		2,632 3,428				3,428		3,337	\$	3,291 3,428		3,761 3,761	\$	3,761		3,761		3,761	\$	39,232 42,471				
Peak (Proposed)	Φ	3,420	Φ	3,420	Ф	3,420	Φ	3,420	Φ	3,420	Ф	3,420	Φ	3,420	Ф	3,420	Φ	3,701	Ф	3,701	Ф	3,761	Φ	3,701	Φ	42,471	Φ.	0.000	Φ.	270
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